

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 276936

47

ORIGIN TRSE-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 R

DRAFTED BY TREAS/OMEA:JGORLIN:CEK

APPROVED BY EB/CSB/OSB:JRGRAHAME

TREAS/OMEA:TWAHL

TREAS/OS:RMUNK

EB/CSB/OSB:JLNESVIG

NEA/IAI:XVUNOVIC

----- 123846

R 220053Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

INFO AMEMBASSY TEL AVIV

LIMITED OFFICIAL USE STATE 276936

E.O. 11652:N/A

TAGS: USISJC, US, IS

SUBJECT: ISRAELI REQUEST FOR NEW AGENDA ITEM FOR
NOVEMBER 26-28 JSG MEETING

FOR ASSISTANT SECRETARY PARSKY

1. WE HAVE RECEIVED NOV. 18 LETTER FROM SHER (SEE PARA 2)
ASKING THAT QUESTION OF EFFECT OF PROVISIONS OF RETIREMENT
ACT OF 1974 ON INVESTMENT IN ISRAEL BONDS BY U.S. PENSION
FUNDS BE INCLUDED ON AGENDA OF JSG MEETING. TREAS. LAW-
YERS ARE RESEARCHING THIS QUESTION BUT MAY NOT BE IN A
POSITION BY THE TIME OF THE MEETING TO MAKE A FIRM
DETERMINATION AS TO HOW QUESTION SHOULD BE ANSWERED. YOU
MAY WISH TO INFORM GOI THAT LAWYERS ARE LOOKING INTO
QUESTION AND WE WILL DISCUSS MATTER WITH SHER UPON RETURN
TO WASHINGTON.

2. TEXT OF SHER LETTER:
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 276936

"DEAR JERRY,

FURTHER TO MY LETTER OF NOVEMBER 5 AND OUR MEETING OF NOVEMBER 6, I SHOULD LIKE TO ADD ANOTHER ITEM FOR DISCUSSION DURING THE FORTHCOMING ISRAEL MEETING OF THE

JOINT STEERING GROUP. THE ITEM COMES UNDER THE SUBJECT 'ENCOURAGEMENT OF INVESTMENT' AND RELATES TO THE EFFECT OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ON INVESTMENT BY PENSION FUNDS IN STATE OF ISRAEL BONDS.

"SALES OF STATE OF ISRAEL BONDS IN THE UNITED STATES ARE ONE OF THE PRINCIPAL SOURCES OF CAPITAL FOR PRODUCTIVE INVESTMENTS IN ISRAEL. TO DATE, APPROXIMATELY 6,600 PENSION FUNDS HAVE INVESTED SOME DOLS 100 MILLION IN ISRAEL BONDS. HOWEVER, SINCE THE PASSAGE OF THE PENSION REFORM ACT IN SEPTEMBER, 1974, THERE HAS BEEN A SUBSTANTIAL DROP IN THE SALE OF ISRAEL BONDS TO FIDUCIARIES BASED UPON MISAPPREHENSION OF THE EFFECT OF THE NEW LAW UPON THE RESPONSIBILITIES OF TRUSTEES.

"THE LEGAL OPINIONS WHICH HAVE BEEN SUBMITTED TO US INDICATE THAT THE NEW LAW DOES NOT CHANGE THE CONTENT

OF THE PRUDENT MAN RULE UNDER WHICH TRUSTEES WERE HELD RESPONSIBLE FOR THEIR INVESTMENTS PRIOR TO THE NEW LAW. THE THREE BASIC CRITERIA GOVERNING THE ACTIONS OF FIDUCIARIES REMAIN: SALES OF THE INVESTMENT INSTRUMENT TO OTHER TRUSTEES; RECORD OF THE ISSUER IN MEETING ITS FINANCIAL OBLIGATION; RETURN ON THE INVESTMENT IN RELATION TO ITS LIQUIDITY. ON ALL THREE COUNTS THE RECORD OF STATE OF ISRAEL BONDS HAS BEEN OUTSTANDING.

"IN ORDER TO CLEAR UP THE CONFUSION AND CONCERN AMONG FIDUCIARIES IT WOULD BE HIGHLY DESIRABLE TO HAVE AN INDICATION FROM SOME AGENCY OF THE UNITED STATES GOVERNMENT THAT THERE IS NO ANTIPATHETIC RELATIONSHIP BETWEEN THE NEW LAW AND INVESTMENT IN STATE OF ISRAEL BONDS BY FIDUCIARIES. SUCH ACTION WOULD BE OF GREAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 276936

IMPORTANCE IN IMPLEMENTING THE PRINCIPLE ENUNCIATED IN THE JOINT STATEMENT OF MAY 13, 1975 THAT: 'INVESTMENT IN ISRAEL SERVES THE COMMON INTEREST OF THE U.S. AND ISRAEL.'

"INCIDENTALLY, I UNDERSTAND THAT THE SECRETARY OF THE TREASURY HAS AUTHORITY TO ACT UNDER THE LAW.

SINCERELY,

ZE'EV SHER" KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, INVESTMENTS, INTERGOVERNMENTAL COOPERATION
Control Number: n/a
Copy: SINGLE
Draft Date: 22 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE276936
Document Source: CORE
Document Unique ID: 00
Drafter: JGORLIN:CEK
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750408-0162
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751120/aaaaaqwi.tel
Line Count: 118
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 11 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 AUG 2003 by izenbei0>; APPROVED <01 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ISRAELI REQUEST FOR NEW AGENDA ITEM FOR NOVEMBER 26-28 JSG MEETING
TAGS: EFIN, US, IS, USISJC
To: JIDDA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006